

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6883

BILL NUMBER: SB 349

NOTE PREPARED: Jan 4, 2004

BILL AMENDED:

SUBJECT: Hospital Physician Staff Requirement.

FIRST AUTHOR: Sen. Waterman

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
☒ **FEDERAL**

IMPACT: State & Local

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures		938,400	938,400
Net Increase (Decrease)		(938,400)	(938,400)

Summary of Legislation: This bill requires a hospital with at least 100 beds to have a physician serving nonemergency patients on duty at all times.

Effective Date: July 1, 2004.

Explanation of State Expenditures: This bill would affect all licensed hospitals with at least 100 beds in the state. The State Department of Health hospital directory lists 155 licensed hospitals. This list includes several hospitals that operate multiple facilities under one license. It also includes psychiatric, rehabilitation, and long-term facilities in addition to short-term acute and critical access facilities. Of the total licensed hospitals, 93 have fewer than 100 beds and would be unaffected by this bill; 62 licensed hospitals, some with multiple facilities, would potentially be impacted by the requirement to provide 24-hour, in-house physician coverage. A list of the hospitals that would potentially be impacted by the provisions of this bill is available upon request.

This bill would result in three potential impacts on state costs: (1) increased hospital costs passed on to the

state as an employer that provides health insurance benefits for employees; (2) pressure for increased hospital cost reimbursement within the Medicaid program; and (3) as a provider of licensed hospital services (Larue Carter hospital is licensed by the Department of Health, has 154 psychiatric beds, and does not have a physician in the facility 24 hours a day). The Division of Mental Health reports that Larue Carter has 24-hour physician coverage; this does not mean that a physician is physically present. Each evening after 5:00 pm, there is a staff psychiatrist and two residents on call. Additionally, outside services may be provided by Wishard Hospital staff for emergencies. The Division estimates that providing in-house coverage by one licensed psychiatrist for nights, weekends, vacations, sick-time coverage, and holidays would cost approximately \$938,400. This estimate assumes that the Division could identify and employ the four psychiatrists necessary to provide this coverage. Since state hospitals are not required to be licensed by the State Department of Health, this cost might be avoided by foregoing state hospital licensure.

The bill does not provide for any distinction by the type of hospital; short-term acute, psychiatric, rehabilitation, long-term, and critical access hospitals are treated alike. Also, no distinction is provided for location; rural and urban locations of affected facilities will be impacted differently. Nor does the bill distinguish between the number of patients the cost may be spread over; the 107-bed hospital must provide the same coverage as the 473 bed teaching hospital.

Explanation of State Revenues:

Explanation of Local Expenditures: Of the 62 hospitals with over 100 licensed beds, 18 are owned by local units of government. One-third, or 6 of the 18, have 115 or fewer licensed beds. Rural hospitals already report difficulty recruiting physicians to serve in their communities. This additional requirement may result in hospital governing boards considering reducing the number of licensed beds to drop below the 100-bed floor set by this bill or more serious actions depending on the individual circumstances.

In addition, local units and school corporations as employers could be subject to increased costs of providing health care benefits to employees.

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Division of Mental Health and Addiction, and the Office of Medicaid Policy and Planning; Indiana State Department of Health; and potentially all state agencies.

Local Agencies Affected: Hospitals licensed for over 100 beds, owned by local units of government, and potentially all local governmental units that provide health insurance for employees.

Information Sources: State Department of Health Hospital Directory at www.in.gov/isdh/regsvcs/acc/hospital/wdirhos.htm, and Willard Mays, Assistant Deputy, Division of Mental Health and Addiction, 317-232-7894.

Fiscal Analyst: Kathy Norris, 317-234-1360.